

Outermost Region Fiche **RÉUNION**

Study on the impact of
the COVID-19 pandemic
on the Outermost Regions

Region Réunion

Country France

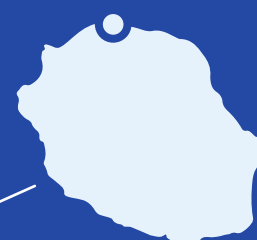
Size 2 504 Km²

Number of inhabitants (2020) 856 858

Population density (2019) 345.7 per Km²



Saint-Denis



EUROPEAN COMMISSION

Directorate-General for Regional and Urban Policy
Directorate A — Budget, Communication and General Affairs
Unit A1 - Outermost Regions

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Study on the impact of the COVID-19 pandemic on the outermost regions (OR)

Outermost Region Fiche Réunion

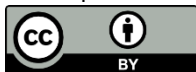
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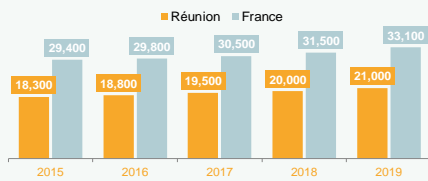
INTRODUCTION

This fiche was prepared as part of a broader study assessing the impact of COVID-19 on the nine EU outermost regions (ORs). It provides an in-depth analysis of the economic and social impacts of COVID-19 in Réunion, highlights the measures taken to mitigate the spread of the virus, and puts forward proposals for recovery and resilience-building measures addressing the major issues identified in this outermost region.

This fiche first presents an overview of the health-related impacts of the pandemic in Réunion, as well as the timeline of measures put in place to keep infection rates in check. It then examines the economic repercussions, starting at the macroeconomic level, followed by an analysis of the main sectoral impacts. The third section presents the social impacts and is followed by an identification of the most relevant policy measures implemented in the region to mitigate the negative consequences of the crisis. The last two sections look at the prospects and suggest measures to support the recovery, and to build resilience to similar challenges in the future.

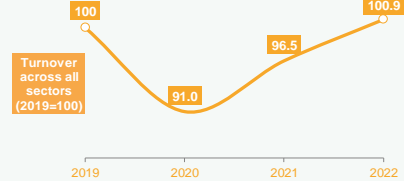
Overview and impact of COVID-19 on the economy of Réunion

GDP/capita

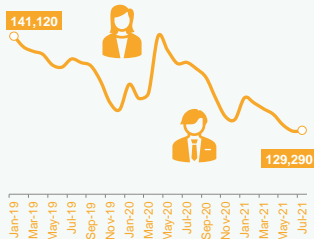


-4.2%
estimated drop in GDP
in 2020

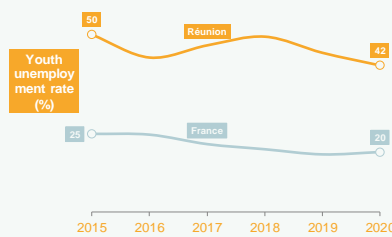
Turnover forecast



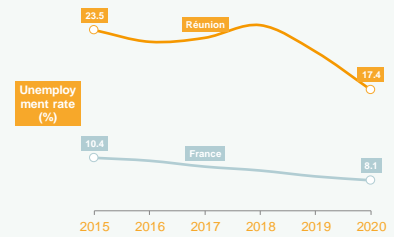
Number of jobseekers



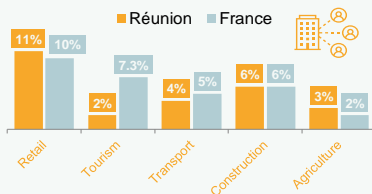
Youth unemployment rate



Unemployment rate



Share of key sectors within the economy as % of GDP (2020)



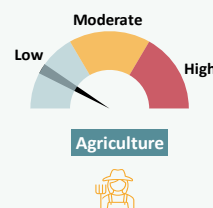
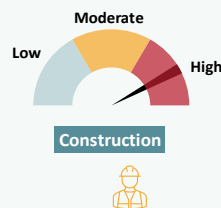
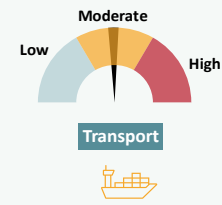
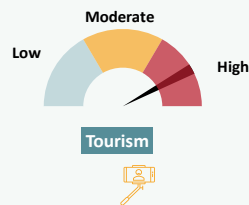
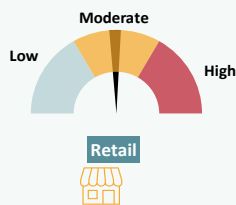
Households with broadband access - 2019

66%
compared to the French average of 83%

Young people neither in employment nor in education and training - 2020

24.7%
compared to the French average of 11.4%

Impact of the COVID-19 crisis on specific sectors of the economy



Recommendations



Incentivising the adoption of digital solutions for B2B and B2C engagement

Improving private sector capacity through digitalisation



Further improving regional transport and connectivity

Expanding the production of renewable energy and increasing its share in the energy mix



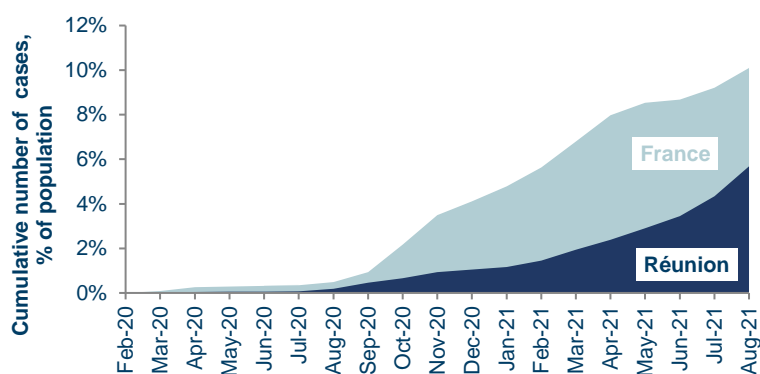
Assessing the feasibility of developing wellness tourism



1. COVID-19 pandemic in the region – healthcare statistics and timeline

As of August 2021, in terms of health-related statistics, Réunion had been proportionally less affected by COVID-19 than mainland France. The unfolding effects of the pandemic followed a different trajectory in Réunion. The first wave was relatively mild compared to that in mainland France. Following the relaxation of the first set of COVID-19 restrictions in summer 2020, case numbers spiked. However, they did not attain the levels seen in France, with cumulative infections remaining lower overall as a proportion of the overall population (Figure 1).

Figure 1: Cumulative number of cases over total population, in percentages (Feb 2020 – August 2021)



Source: Ecorys based on WHO data

As of the end of August 2021, 48,693 infections and 332 COVID-19 related deaths had been registered in Réunion since the onset of the pandemic in March 2020.

The COVID-19 restriction measures taken at the national level entered into force in Réunion shortly after the virus was first detected, on 17 March 2020 (Figure 2). This enabled a quick reaction by local institutional and health authorities, who managed to

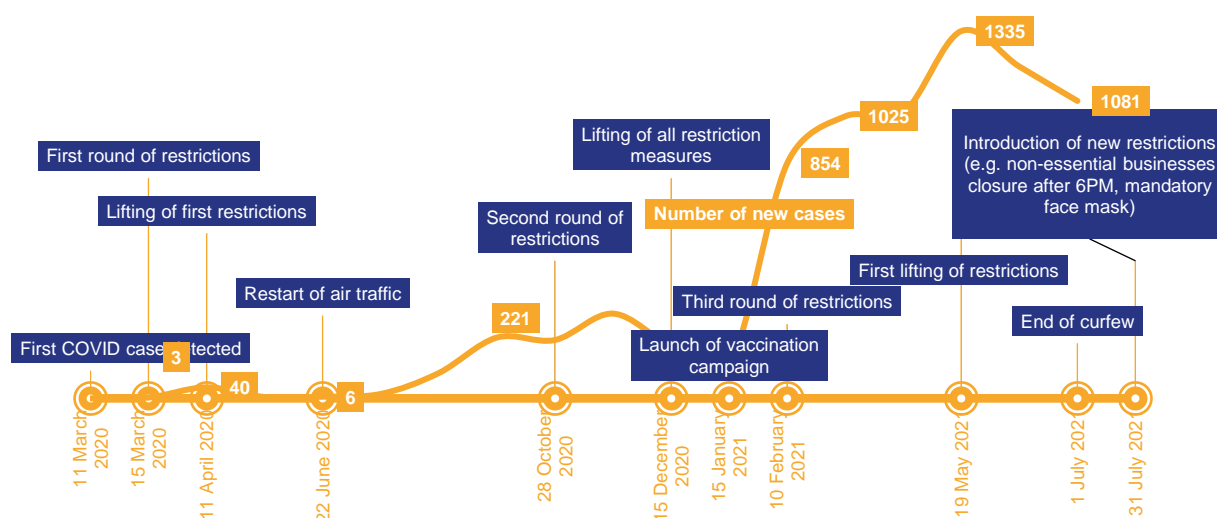
procure the necessary medical equipment and ensure the preparedness of health personnel before the further spread of the virus. Thanks to €2 million in aid from the regional council to ramp up these efforts, two local companies managed to supply a sufficient number of masks to cover the majority of the population.

The confinement measures on Réunion lasted until 11 April 2020. Given the region's insularity and remoteness, the French government permitted some flexibility in applying the national decree on COVID-19 related restrictions. This resulted in a set of measures that were less restrictive than those in mainland France.

The relaxation of restrictions took place over two stages, with an initial easing in mid-April 2020 followed by a full lifting of rules on 2 June 2020. As a result of rising case numbers, new COVID-19 restriction measures came into force again in September 2020. From December 2020 to mid-January 2021, the Regional Health Agency (ARS) eased the measures, keeping the mandatory wearing of the mask and sanitary protocols in shops. Restrictions on the island were once again introduced on 10 February 2021. This included limitations on flight travel only for compelling reasons between Réunion, Mayotte, and continental France, initially introduced during the second half of January 2021. Since 9 June 2021, it has been possible for fully vaccinated persons to travel to and from Réunion for non-compelling reasons.¹

¹ Aéroport de La Réunion (2021) Assistance voyageur. Available at: <https://www.Reunion.aeroport.fr/passagers/assistance-voyageur/covid-19>

Figure 2: Timeline of the health/social distancing measure and healthcare milestones and new COVID-19 cases reported in Réunion



Source: Ecorys, based on WHO data

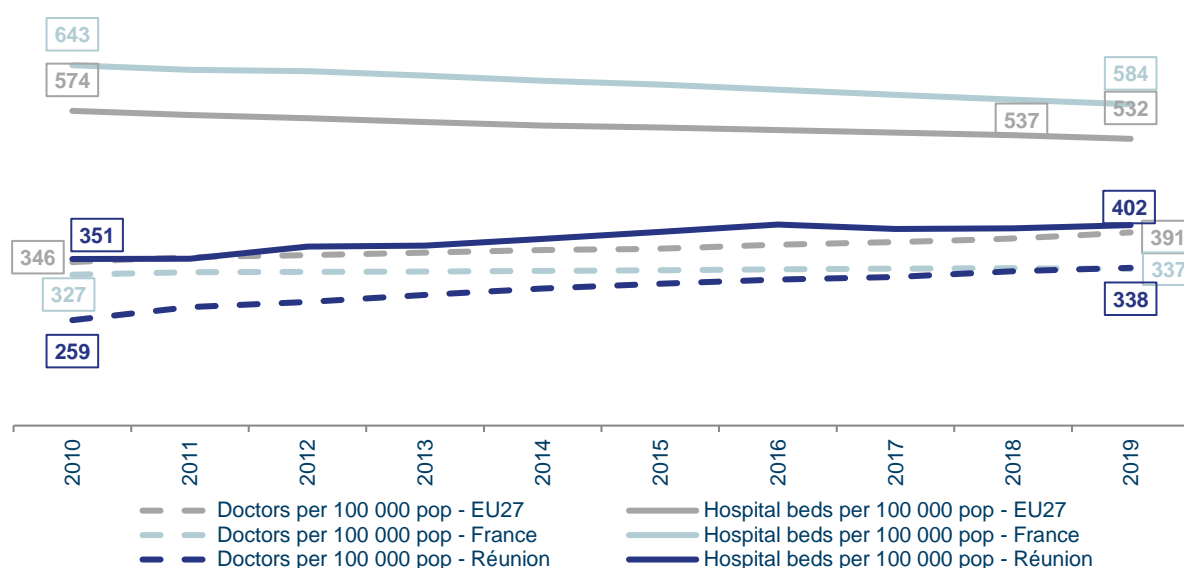
Remoteness, insularity and high dependence on air and sea transport in Réunion have shaped the impacts of the pandemic. It is difficult to transfer patients abroad as the closest countries and Mayotte (the closest French territory) lack the medical facilities to manage additional patients. Furthermore, given the duration of the flight between Réunion and France (11 hours from Paris), it is time-consuming and challenging (due to complicated in-flight medical facilities required) to repatriate patients to mainland France. Thus, preventive and isolation measures, including mandatory PCR testing and compelling reasons for entering the region, were critical in managing infection rates.

In the first months of 2021, the Prefecture of Réunion (representing the French government) and the Regional Health Agency focussed on preventing the spread of the virus in all its variants. This was particularly important as Réunion's medical infrastructure is used to support neighbouring regions in times of hardship. By the end of August 2021, 202 patients had been transferred from other regions to Réunion.² Vaccine rollout has generally been slower than in mainland France. At the end of August 2021, only 54.9% of the population had received at least one dose, compared to 72.3% in France³.

The relatively successful containment of the coronavirus pandemic reflects Réunion's track record in the management of crises. Over the years, the island has faced several crises, including health (Chikungunya, a viral disease transmitted to humans by infected mosquitoes affecting nearly 40% of the population in the region between 2005 and 2006), climate (cyclones), social (the yellow vest movement, in 2018 and 2019), and financial crises (2008 and 2011). The Chikungunya crisis is the most relevant example in the context of COVID-19, as it had already led to an understanding of the links between health, insularity, and tourism.⁴ In the aftermath of the Chikungunya crisis, the French (national) government adapted measures laid out in the White Plan (a national strategy containing organisational measures to deal with a pandemic crisis or increased hospital admissions) to better prepare for a similar future crisis. The local government has been able to leverage this experience in the current situation.

Réunion's resilience to health shocks has increased over recent decades, as the medical infrastructure on the island has consistently improved. The number of doctors per 100,000 inhabitants has increased from 259 to 338 between 2010 and 2018, with a 14.5% increase in the number of hospital beds per inhabitant over the same period. Nevertheless, the number of hospital beds (402 per 100,000 people in 2019) remains well below the French and EU averages (584 and 532 per 100,000 people respectively - Figure 3).

Figure 3: Number of hospital beds and medical doctors (per hundred thousand inhabitants)



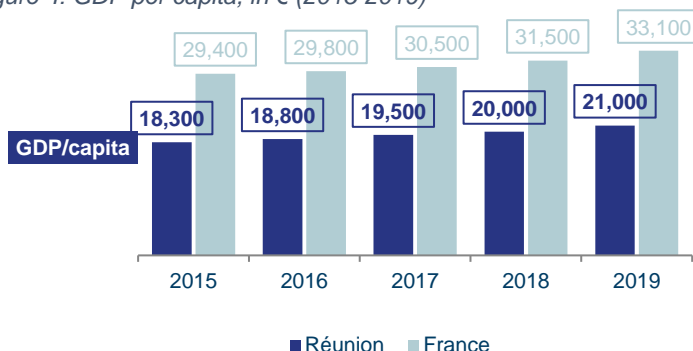
Source: Ecorys, based on Eurostat data

2. Economic impact of the COVID-19 pandemic

MACROECONOMIC OVERVIEW

The economy of Réunion already faced several structural challenges before the COVID-19 crisis. GDP per capita was 64% that of mainland France in 2019 (Figure 4). Nevertheless, the economy of the island has generally followed a positive growth trajectory. According to INSEE (*Institut national de la statistique et des études économiques*) in 2020, household consumption was the main growth driver during 2019. On the other hand, the increase in imports slowed down growth because of the significant consumption of imported goods compared to local products. In fact, according to INSEE, in 2019, Réunion imported €5.3 billion of goods and exported €361 million. This highlights the island's trade deficit and its dependence on imports.

Figure 4: GDP per capita, in € (2015-2019)



Source: Ecorys, based on Eurostat data

Although the suppression of the COVID-19 virus was relatively successful in Réunion, its economy took a heavy blow following the introduction of the first round of restriction measures in March 2020. The island's economy contracted by an estimated 4.2% in 2020.⁵ Economic activity significantly contracted in the March-May 2020 period, with a 28% drop in quarterly GDP. The contraction in economic activity during the lockdown period was fully in line with the 29 point

drop in the business confidence index (from 101 to 72) in Q1 2020 (100 indicates the long term average – Figure 5). Economic activity recovered after restriction measures were relaxed. Business climate indicators and more detailed

² Guide Réunion (2021) Coronavirus: la situation à La Réunion. Available at: <https://guide-Réunion.fr/coronavirus/>

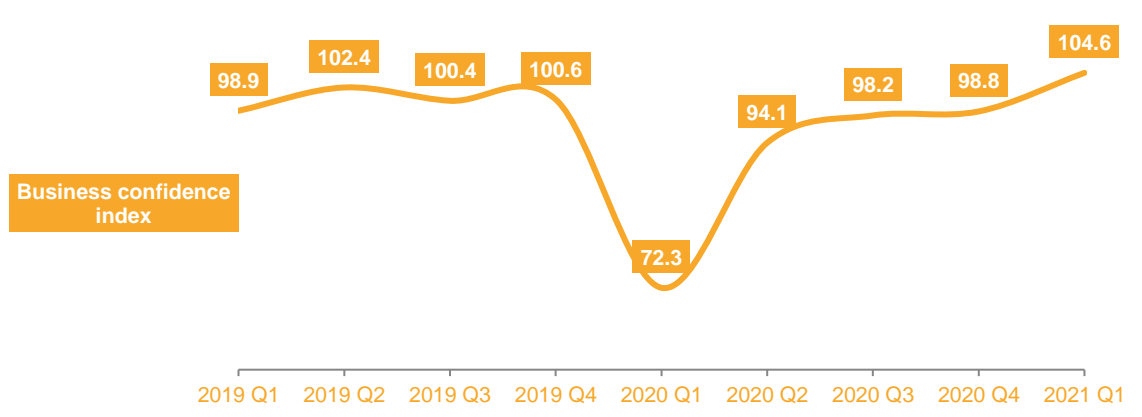
³ Our World in Data. Available at: <https://ourworldindata.org/covid-vaccinations?country=FRA>

⁴ Magnan, A. (2008) L'espace littoral a-t-il toujours de la valeur? Réflexion à partir du cas de l'île de Saint-Martin (Petites Antilles). Norois, (206), pp.37-52.

⁵ CEROM (2021) Comptes économiques rapides de La Réunion en 2020. Available at https://www.cerom-outremer.fr/IMG/pdf/note_cerom_2020_vdef_bis.pdf

sectoral analyses from Q2-Q3 2020 show that the Réunionese economy managed to recover further ground lost during the first lockdown period. The business confidence index demonstrated a solid V-shaped recovery following the relaxation of COVID-19 restrictions, with the index surpassing the 100 mark, noting the long-term average in Q1 2021. This indicates a relatively healthy economic recovery after May 2020.

Figure 5: Business confidence index, Réunion (Q1 2019 – Q1 2021)

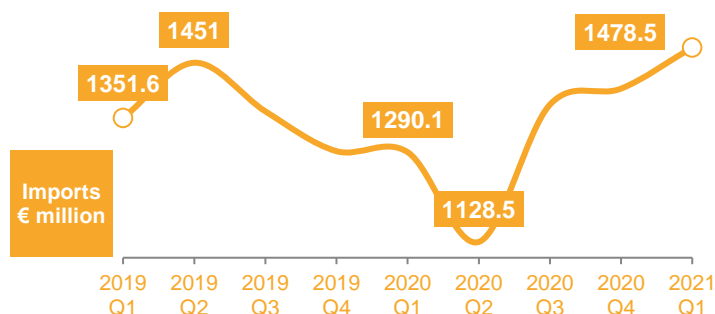


Source: Ecorys, based on IEDOM data

Nonetheless, it is important to underline that the economy of Réunion remains vulnerable. The proximity of countries experiencing an exponential surge in new cases (e.g. Madagascar) due to new variations of the virus has affected Réunion's attractiveness to businesses and tourists alike. Future developments are still heavily reliant on the success of the vaccination campaign and global developments related to the pandemic.

In addition to the impact on GDP, the crisis led to an increase in local public spending and a loss of immediate tax revenue. This is due in part to the specific nature of taxation in Réunion (e.g. consumption tax on petroleum products, customs tax). For instance, *Octroi de Mer* revenues decreased in Q1 and Q2 of 2020. This was €10.8 million less in Q1 2020 compared to Q1 2019, and €17.7 million less in Q2 2020 compared to Q2 2019. The *Octroi de Mer* decrease is related to lower imports in the same period (Figure 6) as it represents a custom tax that applies to the imports of commercial goods. This loss was only partially compensated for by a smaller increase in revenues during Q3 and Q4 2020. This customs tax is the main source of income for local authorities in the French outermost regions. This 'scissor effect' (decrease in resources and increase in spending) has restricted the ability of local public authorities to balance their budgets, with direct consequences on their future ability to invest.

Figure 6: Imports, € million (Q1 2019 – Q1 2021)



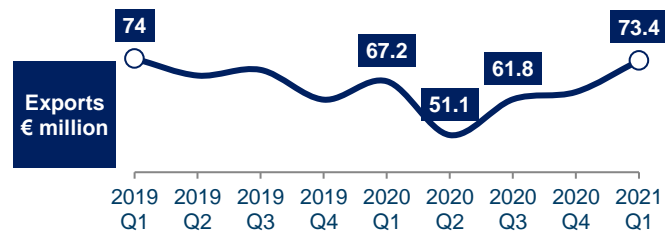
Source: Ecorys, based on CEROM data

The geographical isolation of Réunion has put the economy at a disadvantage. Isolation has added to the already difficult circumstances faced by certain sectors (e.g. the food industry) through the disruption of supply chains due to complications with the exports and imports of necessary goods. The restriction measures led to reduced consumer demand, and the restrictions on maritime and air transport activities also had an impact on trade flows. In Q2 2020, imports decreased by 10% compared to the previous quarter and by 22% compared to

Q2 2019 (Figure 6). However, in line with the upturn following the March-May 2020 period, imports increased, and for the period Q3 2020 – Q1 2021 volumes actually exceeded the figures observed for the same period in 2019.

A similar trend was observed for exports. In Q2 2020 they decreased by 26% compared to Q2 2019 and by 24% compared to the beginning of 2020 (Figure 7). Exports started recovering in Q3 2020, regaining pre-crisis level in Q1 2021.

Figure 7: Exports, € million (Q1 2019 – Q1 2021)



Source: Ecorys, based on CEROM data

Evidence shows that the number of dissolved enterprises decreased by 13% from 2019 to 2020, i.e. before the onset of the COVID-19 pandemic. The sectors which contributed the most to this decrease are wholesale and retail trade and services, including food and accommodation. The reduction in dissolved enterprises can be mostly explained by the fact that the central government in France has made aid available under the solidarity fund and via state-guaranteed loans to support company cash flow. Aid, therefore, prevented the dissolution of enterprises in these sectors.

Furthermore, a positive trend can also be observed in the number of new enterprises created, with a 10% increase in this figure from 2019 to 2020. Again, this is mainly due to an increase in the number of enterprises in wholesale and retail trade, food, accommodation, construction, and industry, accounting for more than 50% of the total new enterprises (35%, 11% and 6% respectively) (see Table 1). According to interviewees, recent decades were characterised by this positive growing trend, largely fuelled by the growing population. Nonetheless, in this specific context, subsidies and compensations dedicated to enterprises operating in the most affected sectors incentivised the creation of enterprises.

Table 1: Number of new and dissolved enterprises, 2019 and 2020

	2019				2020			
	Commerce	Industry	Services	Total	Commerce	Industry	Services	Total
New companies	1,937	537	1,809	4,283	1,980	568	2,178	4,726
Dissolved companies	1,145	336	1,048	2,529	957	330	917	2,204

Source: CCI (2020) Réunion Business demography

SECTORAL ANALYSIS

Due to the nature of confinement measures introduced globally to halt the spread of COVID-19, the sectors most commonly affected are characterised by physical human proximity and mobility. This is no different in the case of Réunion, although the island's geographical and economic characteristics (insularity, significant reliance on transport and imports, the structure of the economy, etc.) also influence the dynamics. In this regard, retail (wholesale and retail trade), tourism, and transport play a vital role in the economy, collectively accounting for around 19% of GDP in 2020. Another factor to consider is that non-commercial services (public administration, education, human health and social work) that did not particularly suffer the effects of confinement measures, represent the largest share of GDP (around 36% in 2020) in Réunion. This is likely to have helped to mitigate the loss of economic productivity.

Table 2: Economic structure of Réunion

Sectors	Share of GDP (%) (2020)
Agriculture and agri-food	3
Industry	4
Construction	6
Wholesale and retail trade	11
Transport	4
Accommodation and food	2
Services to enterprises	7
Other services	27
Non-market services	36
Total	100

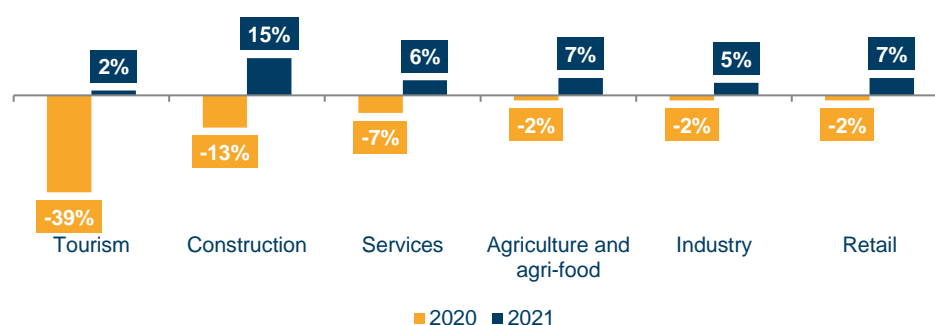
Source: Ecorys, based on CEROM data

The sectors most affected by the COVID-19 pandemic are tourism (including accommodation and restaurants), air and maritime transport, construction, rental services, and the cultural/events sectors.

Figure 8 shows the IEDOM (*Institut d'émission des départements d'outre-mer*) estimates of turnover loss by sector in 2020. Tourism and construction suffered the heaviest losses. The services industry also lost an estimated 7% of turnover. Agriculture, retail and industry suffered relatively smaller setbacks during the course of 2020. However, their recovery to 2019 performance levels might not be completed by the end of 2021.

CEROM (*Comptes Économiques Rapides pour l'Outre-mer*) estimates⁶ indicate that the island registered a 28% decrease in economic activity during March-May 2020. Almost all sectors suffered heavily during the March-May 2020 lockdown period. However, after the lockdown measures were lifted, the economy showed signs of resumption, also underlined by the headline GDP figure. Most of the economic activities which had been put on standby during the confinement could resume once the lockdown was lifted, explaining the quick recovery. Furthermore, the immediate financial support from the regional and the French government contributed to this. Despite this result, most sectors did not manage to reach pre-lockdown levels even in the first quarter of 2021, with many suffering from the uncertainty (e.g. tourism or construction – see below).

Figure 8: Loss of turnover by sector, 2020 and 2021



Source: Ecorys, based on CEROM data

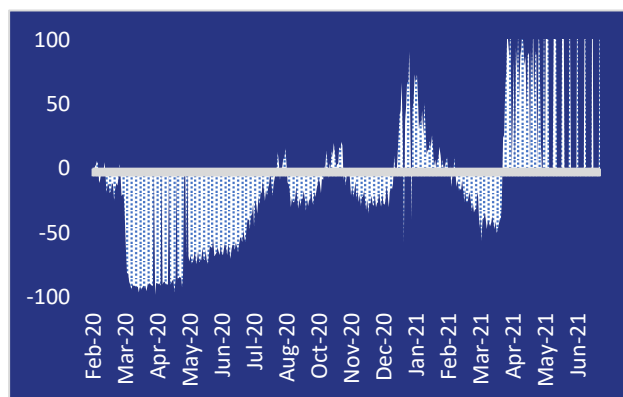
Retail

The retail sector (including wholesale and retail trade) accounts for a large share of employment in Réunion. The general tendency of consumers in Réunion to buy in larger shops (according to INSEE data) puts small retail businesses at a disadvantage and makes the sector particularly vulnerable to external shocks. This vulnerability has been evident during the COVID-19 pandemic. Due to the closure of all non-essential stores and shops, economic output fell by 59% between March-May 2020. Non-food goods and automotive sales suffered an especially heavy drop. This was exacerbated by the fact that in Réunion, non-essential shops subject to closure (decree of 23 March 2020) represented 41% of the retail floorspace against a 39% French national average, in the first half of 2020 (according to CEROM estimates).

The Google mobility index (Figures 9 and 10) on visits to retail and recreational centres (including shopping centres) shows a very clear pattern related to the introduction and lifting of restriction measures. Mobility towards grocery and pharmacies had all but ceased between March 2020 to May 2020, and generally remained below the baseline average

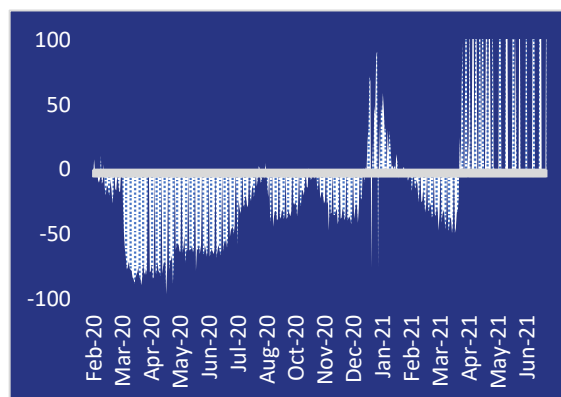
during the second half of 2020. Following another slump during the new restrictions in April, May, and June 2021, the data indicate very high activity, which bodes well for the sector overall.

Figure 9: Google mobility index (retail and recreation), Feb. 2020 – June 2021



Source: Ecorys based on Google Mobility Index data

Figure 10: Google mobility index (grocery and pharmacy), Feb. 2020 – June 2021



Source: Ecorys based on Google Mobility Index data

Note: The data shows how visitors to (or time spent in) certain places change compared to the baseline average number of days. The baseline day is the median value from the five-week period from 3 January to 6 February 2020.

The second half of 2020 saw a dynamic increase in turnover for the sector, with results for Q4 2020 being 7% higher than during the preceding year. The overall loss in turnover in the retail sector was, therefore, less than it was for some other sectors (e.g. tourism and construction – see the sections below).⁷

Tourism

Historically, Réunion had limited external tourism and, in this respect, lagged behind other French outermost regions. According to *Observatoire Régional du Tourisme* in 2019,⁸ visitors from mainland France make up the majority of tourists (83.1% of the total figure). In 2019, the sector generated nearly €410 million in revenue (excluding flight tickets). Maritime tourism, especially the cruise economy, contributed to this sector with 67,724 clients in the same year.

The fact that Réunion does not rely on income from mass tourism makes the sector less vulnerable to crises than other, more popular tourist destinations. Until January 2021, amidst limited international mobility worldwide, travel restrictions for French nationals remained less restrictive, enabling the primary clientele of the Réunionese tourism sector to visit.⁹ As a result, 87.4% of tourist arrivals in 2020 came from mainland France.¹⁰ However, due to its heavy reliance on visitors by air and sea (cruises), it is among the sectors most affected by the pandemic - although not as much as other outermost regions relying on international tourism such as Martinique and Saint Martin.

⁶ CEROM (Comptes Économiques Rapides pour l'Outre-mer) (2020) Nouvelle évaluation de l'impact économique de la crise sanitaire. Available at: https://www.cerom-outremer.fr/IMG/pdf/cerom_impact_economique_crise_sanitaire_volet_2_finale.pdf

⁷ IEDOM, 2021. L'économie de La Réunion en 2020. Available at:

https://www.iedom.fr/IMG/pdf/economie_la_Reunion_2020_ok.pdf

⁸ Observatoire régional du tourisme, 2020. 2019 Fréquentation Touristique. Available at:

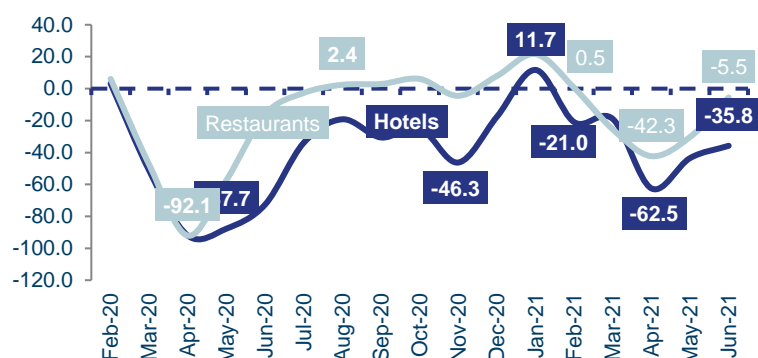
https://observatoire.Reunion.fr/system/files/2020-04/Frequentation_2019_11.pdf.

⁹ See health section for details on measures.

¹⁰ Observatoire Régionale de Tourisme (2021) Bilan annuel de l'observatoire: Bilan 2020. Available at:

<https://observatoire.Reunion.fr/system/files/2021-06/note%20de%20conjoncture%202020.pdf>

Figure 11: Turnover in the restaurants and hotels sectors compared to the same period of previous year

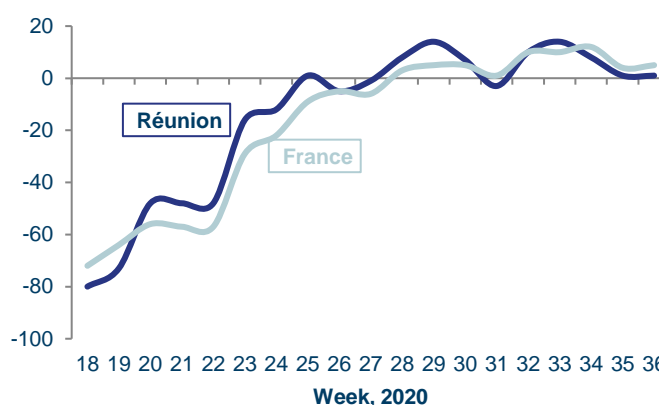


Source: Ecorys, based on INSEE data

Some positive signs can be observed from the last two quarters of 2020. After August 2020, the economic performance of two of the sectors most dependent on tourism - hotels and restaurants - consistently improved (Figure 11). The relatively rapid recovery of restaurants may be related to an increase in tourists from France, driven by the fact that the regional government took less restrictive measures in the final months of 2020. In November and December 2020, demand increased, leading to higher booking rates for the corresponding weeks and weekends. Nonetheless, increased local demand and arrivals from mainland France did not fully compensate for the lack of revenue from foreign tourists throughout 2020.

The slow recovery of the tourism sector is also affirmed by the credit card transactions registered to tourism activities, which increased from the second half of August 2020 (weeks 32-34) (Figure 12). Even so, the overall reduction of sectoral turnover estimated by IEDOM is 39% for 2020.

Figure 12: Credit card transactions for tourism activities



Source: Ecorys, based on INSEE data

Making travel contingent upon proof of a 'compelling reason' in early 2021 was another major blow to the local tourism industry. The numbers of air transport passengers between mainland France and Réunion declined by 32% in February and March 2021, when compared to the previous year.¹¹

Recreational offers, events, and cultural activities, which are an essential part of the Réunionese tourism offer and of the daily life of Réunionese people as well, have seen a reduction of more than 50% (in activities and events) due to the health crisis, according to CEROM. Although cultural events are able to continue in adherence with social distancing measures, the events sector has had to come to a complete standstill. Many events on the island have been cancelled, such as the Grand Raid (a world-famous ultra-trail crossing the island) and the SAKIFO music festival, which usually attracts many tourists. Similarly, a survey found that over 95% of all professionals and entities in the Réunionese performing arts industry suffered losses in turnover ranging from 10% to over 70% in 2020.¹²

¹¹ INSEE (2021) Tableau de bord Conjoncture: La Réunion | Insee. Available at: <https://www.insee.fr/fr/statistiques/2120921>

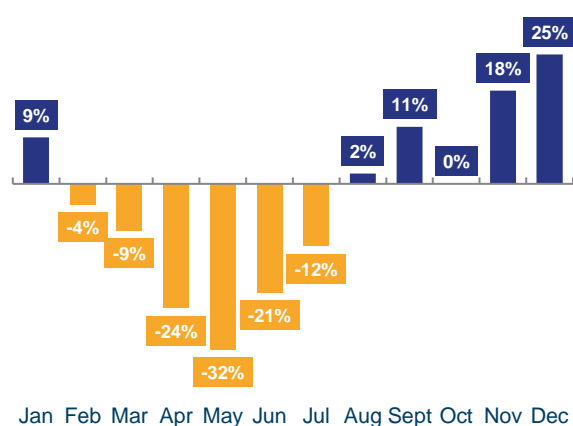
¹² Accord-cadre régional pour le développement de l'emploi et des compétences du spectacle vivant à la Réunion (2021) Résultats de l'enquête flash: Le Spectacle Vivant à la Réunion

Transport

Naturally, measures restricting the mobility of tourists have also impacted the transport sector, including air and sea transport. Given the island's isolation, the air transport sector is essential to the local economy. While in terms of volume, most freight traffic takes place by sea, air freight provides high added value, as medicines, fresh products, and urgent components for local businesses and activities are imported by air. In 2019, air freight traffic was 29,105 tonnes, which is a slight decrease (-0.3%) compared to 2018.¹³ Réunion is strategically located with regard to shipping and maritime transport connections to Africa, Asia, and the Middle East. The Grand Port is a stopover for several maritime lines linking Africa (including South Africa) and Asia. The island relies heavily on the Grand Port to receive imports. Thus, even during a crisis, to meet the population's needs, it is essential to keep the port's activity going.

The air transport sector was significantly impacted, with passenger traffic falling by 58% and freight by 20% in 2020 overall. During the first lockdown period (March-May 2020), several flight operators – Air France (national), Air Austral (regional) and Corsair had to reduce their frequency flights or cancel flights. The situation in mid-2021 remained fragile, with the sector making use of partial unemployment and state support to remain solvent.¹⁴

Figure 13: Port traffic in goods, 2020 - percentage change compared to the same month in 2019



Source: Ecorys, based on Réunion port authority data

A similar effect can be observed in maritime transport. Port authority data show that the number of stopovers in 2020 dropped by 13%. This was mostly due to a loss in cruise stopovers due to restrictions and a reduction in the number of regular lines.

The April-May 2020 period was challenging, as traffic in terms of goods fell compared to the same period in 2019 (Figure 13). Even though the maritime transport of goods did not cease, delivery times have increased. Shipping companies had to revise their routing to ensure the supply of other territories in the Indian Ocean, especially because of the 14-day quarantine of goods on stops in many countries.

Nevertheless, the volume of goods quickly rebounded after July 2020, and in Q4 2020 reached a higher level than during the same period in 2019. Maritime operators were able to recover because Réunion was the only island in the Indian Ocean to maintain a crew relief capacity, and the air link with Europe was preserved.¹⁵ With an economy heavily reliant on imports, this strong performance is also likely to result from a rise in household consumption.

Construction

The construction sector has also been susceptible to COVID-19 impacts. According to the French Senate, the COVID-19 crisis came at a time when the construction sector was already struggling. On Réunion Island, construction and public works turnover declined by 24% between 2009 and 2019, with the closure of 440 companies in 2018, resulting in 1,200 job losses.¹⁶

Urban construction and renovation needs are significant in Réunion. Despite the very high demand for housing, there are almost 28,000 pending applications for social housing, and it remains very difficult for the local industry to meet

¹³ Air Journal (2020) La Réunion: record en décembre, 2,49 millions de passagers en 2019. Available at: <https://www.air-journal.fr/2020-01-20-la-Réunion-record-en-décembre-249-millions-de-passagers-en-2019-5217698.html>

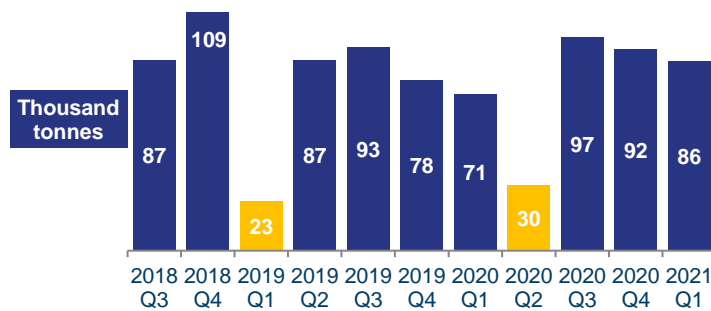
¹⁴ Interview input

¹⁵ Interview input

¹⁶ Sénat, 2020. Urgence économique outre-mer à la suite de la crise du COVID-19. Rapports d'information. Available at: <http://www.senat.fr/rap/r19-620/r19-6206.html>

this demand. This is partially due to the higher costs of construction related to climatic and topographic specificities of Réunion, coupled with the presence of many SMEs in the construction sector which – according to the French Senate – are generally less financially sound than their continental counterparts. According to INSEE, Réunion lacks nearly 8,000 housing units per year, a deficit driven by demographic growth. However, only 6,760 housing units were authorised for construction between October 2018 and September 2019. Inadequate housing foreshadows a long-term problem and exacerbates sanitary issues linked to overcrowded houses. This aspect is especially critical during health crises.

Figure 14: Imports of cement and clinker, Q3 2018 – Q1 2021



Source: Ecorys, based on CEROM data

are clearly visible in the cement and clinker imports to the island over this period. These figures also show the slump noted by the French Senate in 2019. Nonetheless, construction activity picked up from Q3 2020 onwards, with the number of building permits issued in 2020 exceeding by 11.3% those issued in 2019.¹⁸

Agriculture and fisheries

Agriculture continues to play an important role in the local economy and on Réunionese exports (sugar and rum). In fact, the population relies heavily on local products (covering 70% of needs) for food security, given that imported food products, especially those from Europe, are much more expensive. However, together with direct, indirect, and induced employment, it only represents around 1% of private-sector jobs in 2019. Three areas make a positive contribution to the island's agricultural economy: sugar cane production, fruit and vegetable production, and pork and beef production. The agricultural sector was among the least affected by the COVID-19 crisis. Its contribution to the drop in GDP was estimated to be null during confinement, while turnover dropped by an estimated 2% overall in 2020. The agri-food sector was able to adapt by setting up short circuits, online market platforms and delivery services, while also increasing the digitalisation of the sector. Businesses in the sector could continue to produce at almost the same rate as usual to meet the strong demand for household consumption during confinement. However, the impact was not evenly distributed, with the meat industry overperforming, but sugar cane production dropping, partly due to the drought.¹⁹

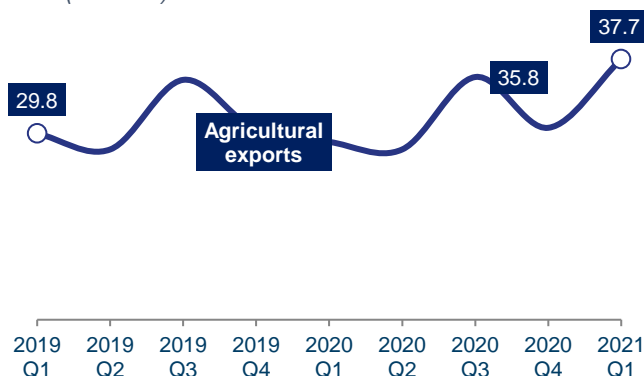
¹⁷ Comptes Économiques Rapides pour l'Outre-mer (CEROM) (2020) L'impact économique immédiat de la crise sanitaire liée au COVID-19 à La Réunion. IEDOM. Available at: https://www.cerom-outremer.fr/IMG/pdf/cerom_impact_economique_crise_sanitaire_final.pdf

¹⁸ CEROM (2021) L'économie de La Réunion en 2020. Available at: https://www.iedom.fr/IMG/pdf/economie_la_Reunion_2020_ok.pdf

¹⁹ *Ibid.*

This resilience applies to the fisheries sector as well, which has been relatively less impacted by the COVID-19 crisis than other sectors. In fact, it has benefitted from local demand and has demonstrated the same adaptability as the other agri-food sectors. For instance, ARIPA, Réunion's Interprofessional Association for Fisheries and Aquaculture (*Association Réunionnaise Interprofessionnelle de La Pêche et de l'Aquaculture*) has supported the sector on administrative procedures in times of crisis and, in particular, those related to day-to-day operations, such as the

Figure 15: Agriculture and agri-food exports, Q1 2019 – Q1 2021 (€ million)



provisioning of ice, bait and fuel for fishers. However, the fisheries sector suffered a 12% decline in export volume compared to 2019 due to the loss of important Asian (mostly Chinese) and United States markets as a result of movement restrictions.²⁰

The performance of the agri-food sector (including fishing) during 2020 demonstrates the potential for digitalisation and cooperative adaptation to significantly mitigate the impacts of the COVID-19 crisis. Even so, with the exception of Q1 2020, agricultural exports remained lower compared to

their 2019 levels due to COVID-19 measures taken by the regional government.

Source: Ecorys, based on CEROM data

3. SOCIAL IMPACT OF THE COVID-19 CRISIS

Réunion, like the other outermost regions, faces various societal challenges: a fragile labour market, a high share of the population without tertiary education and a high poverty rate. These issues were exacerbated by the COVID-19 crisis.

One of the key challenges is structural unemployment, a result of several labour market conditions:

- There is a mismatch between the qualifications held by the population and those which are more commonly required for available jobs. The population is largely underqualified. As of 2019, 34.7% had completed tertiary level education that is increasing, compared to 47.5% in continental France.
- A population growth rate that outpaces the rate of job creation. Réunion has one of the highest regional fertility rates across the EU, with a crude birth rate of 15.6 births per 1,000 persons in 2019, compared to the EU27 average of 9.5 births. While this rate has been decreasing for the past two decades, the high figures of the 1990s and 2000s (average of 20.1 births) have resulted in large numbers of young people entering the workforce.

According to Eurostat, in 2020, the unemployment rate in Réunion was 17.4%, more than double the national average (8%²¹). Unemployment is a particular challenge for younger people. The youth unemployment rate (15 to 24 years) in 2020 was 42% in Réunion, as compared to a national average of 20%²². In 2020, also the long-term term unemployment was greater than in mainland, 7.4% in Réunion compared to 5% in France. Moreover, in 2020, 24.7% of the population aged between 15 and 24 was neither in employment nor in education or training, more than doubles the rate in mainland France (11.4%). Similarly, to other French ORs, Réunion's social situation is defined by structural problems related to low incomes and a low employment rate. This latter is also a consequence of many households with only one source of income, and thus relying on social benefits.²³ INSEE estimates that 35% of Réunionese households make use of at least one welfare scheme.²⁴

²⁰ Interview input

²¹ Eurostat, online data code: TPS00203

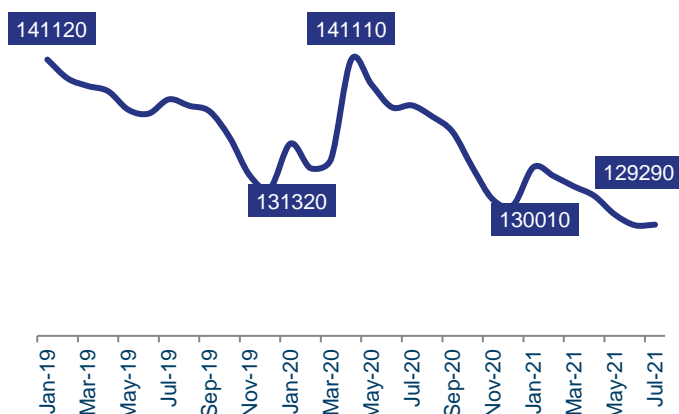
²² Eurostat, online data code: YTH_EMPL_110

²³ Interview input

²⁴ INSEE (2021) Insee Analyses La Réunion, no. 56

As a consequence, the job market was already fragile during the COVID-19 pandemic. From Q1 to Q2 2020, in the midst of a lockdown, the number of jobseekers looking for work and without activity (category A) in Réunion increased by 5.6% (i.e. +7,370 people). However, Réunion was one of few French regions to improve its employment rate, with an overall 2% higher employment rate at the end of 2020 as compared to 2019.²⁵ This can also be explained by the measures put in place: partial activity schemes, support to businesses (particularly SMEs) and individual entrepreneurs.

Figure 16: Jobseekers registered at the end of the month at Pôle emploi à la Réunion, Category: A²⁶, Jan. 2019 – Jul. 2021



Source: Ecorys, based on Pôle emploi data

As a result of the COVID-19 pandemic, Réunion's unemployment support schemes have been more heavily relied upon, as indicated by data on compensation claims made by workers and employees who have lost their jobs due to the crisis. Based on the sectoral distribution of claims, the most affected sectors are wholesale and retail trade, construction, accommodation and food, services to enterprises and other services (Table 3). The highest number of claims was registered during the first lockdown period (March-May 2020). From May 2020, compensation applications dropped in all sectors of the Réunionese economy, albeit remaining relatively

high in the food and accommodation sectors. However, partial unemployment compensation claims markedly increased in March and April 2021.

Thus the immediate social impacts of unemployment have been partially mitigated thanks to the measures (compensation, unemployment benefits, facilitation for access to training and so on) put in place by French national authorities. The full impact of job losses in Réunion will likely be felt when compensation measures reach their end in December 2021.

Table 3: Partial unemployment compensation claims by sector (March 2020- April 2021)

	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Agriculture and agri-food	470	560	475	190	110	80	65	50	45	50	30	40	65	55
Industry	740	820	645	200	110	65	55	50	45	45	30	35	45	25
Construction	1,840	1,960	1,355	320	160	110	95	75	70	60	45	50	50	30
Wholesale and retail trade	3,125	3,465	2,975	745	355	210	195	135	145	125	75	170	320	235
Transport	525	635	510	220	140	95	80	60	60	65	50	40	45	25
Accommodation and food	1,295	1,365	1,250	695	500	370	385	325	330	315	215	280	610	485
Services to enterprises	1,275	1,605	1,380	540	335	235	230	180	185	190	145	160	185	140
Other services	1,930	2,340	2,080	700	390	255	270	205	205	185	125	160	240	195
Non-market services	1,130	1,410	1,285	400	180	110	70	50	55	55	35	30	40	25

²⁵ INSEE (2021) Malgré la crise sanitaire, l'emploi progresse. Enquête Emploi 2020 à La Réunion. Available at: <https://www.insee.fr/fr/statistiques/5354321>

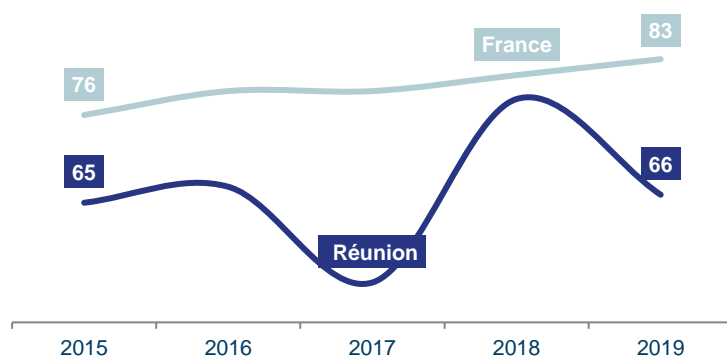
²⁶ According to Pôle emploi, belongs to Category A all the unemployed people who are actively looking for a job, regardless the type of contract (e.g. temporary or seasonal jobs, full-time, part-time jobs, etc.).

Total	12,330	14,160	11,955	4,010	2,280	1,530	1,445	1,130	1,140	1,090	750	965	1,600	1,215
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Source: Ecorys, based on Dares data

Even before the crisis, the development of broadband connection in Réunion received considerable attention and has become an example among the French ORs. Nonetheless, due to relatively high costs and the high rate of digital illiteracy, the high percentage of coverage in the territory does not fully translate into household access (Figure 17), creating a digital divide.²⁷

Figure 17: Households with broadband access (%), 2015-2019



Source: Ecorys, based on Eurostat data

In 2020, the rate of early leavers from education and training was the second-highest among French regions (after French Guiana), 21.9% of people aged between 20 and 24 years have less than secondary education, more than double compared to mainland France (10.3%). As a result of the COVID-19 pandemic, school dropout rates have further increased, deepening social inequalities.²⁸ The remote classroom activities have been only partially successful due to a lack of sufficient

equipment for the poorest households; internet connections, limited access to digital tools, and in some cases, a family environment not conducive to digital learning.

Additionally, students studying abroad have had their academic studies interrupted. Since many were unable to find temporary employment covering their expenses and due to university closures, they had to return to Réunion. Training activities were also halted in 2020, further restricting educational opportunities for locals.²⁹

Even before the COVID-19 crisis, poverty was one of Réunion's core social challenges. This is particularly the case in small rural communities, where employment is limited, and the population is more exposed to poverty. For instance, more than one resident in two lives below the poverty threshold in Cilaos and Salazie, cities located in the centre of the island. Consequently, and as explained in the study 'La Réunion Face au Chômage de Masse' (Réunion Island in the Face of Mass Unemployment), this part of the population shifts to the informal economy, as a means of last resort, for coping with very precarious situations. However, in times of crisis, the informal economy is even more vulnerable, and people working in the informal sector are not covered by the official statistics.

In 2018, 39% of the Réunionese population lived under the poverty threshold, compared to 15% in France (INSEE 2021). In Réunion, 121,000 children live in low-income households, i.e. half of the children on the island (INSEE 2019). Réunion islanders must cope with a much higher cost of living than in mainland France (+37% for an equivalent food basket in 2020). As a result, the share of social benefits in household income (excluding pensions) is 17%, which is almost three times higher than in metropolitan France with 6% (INSEE, 2021). The impact of the crisis on the Réunionese economy has further aggravated the situation of those with already low income and the most vulnerable (including the elderly and the young). The distribution of food aid has been significant in alleviating food poverty; in 2020 NGOs on the island reported higher demand for food aid than in 2019. The impact of the pandemic falls

²⁷ Interview input; IEDOM (2020) L'Économie numérique à la Réunion. Available at: https://www.iedom.fr/IMG/pdf/l_economie_numerique_vdef.pdf

²⁸ Linfo.re (2020) COVID-19: Le taux de décrochage des élèves en Outre-mer plus élevé qu'en métropole. Available at: <https://www.linfo.re/la-Réunion/societe/covid-19-le-taux-de-decrochage-des-eleves-en-outre-mer-plus-eleve-qu-en-metropole>

²⁹ Interview input

disproportionately on low-income households, the number of which could increase even further as a result of a protracted economic crisis affecting the local job market.³⁰

4. POLICY RESPONSES TO TACKLE THE EFFECTS OF THE CRISIS

OVERVIEW

The EU has mobilised a number of tools and funding sources to help Réunion to overcome the social and economic challenges brought on by the pandemic. The Coronavirus Response Investment Initiative (CRII) and Coronavirus Response Investment Initiative Plus (CRII+) initiatives enabled the use of unused existing resources, and their redirection to where they were most needed. Furthermore, Recovery Assistance for Cohesion and the Territories of Europe (REACT-EU) funds were allocated to Réunion, including over €250 million from the European Regional Development Fund and over €113 million from the European Social Fund (ESF) envelope. This will help to repair the damage caused by the health crisis in the region and to initiate an ecological, digital and resilient recovery of the economy.

In addition, financial instruments dedicated to Réunion will be added to the next generation of European Regional Development Fund (ERDF) and European Social Fund Plus (ESF+) programmes, amounting to more than €1.5 billion.

The EU Recovery and Resilience Facility is a key tool to support recovery. In this context, France developed the RRP (*Plan National de Relance et de Résilience* - National Recovery and Resilience Plan 2021-2026), which lays out nine investment priorities intended to guide recovery over the medium term.³¹ In June 2021 the European Commission adopted a positive assessment of the French plan, indicating that the Recovery and Resilience Facility (RRF) will provide €39.4 billion in grants to France over the next five years.

The French response to the crisis is described in the plan **France Relance**,³² which included three stages, starting with a response to the immediate shock, then focussing on the most affected sectors for the remainder of 2020 and, finally, moving on to measures for recovery and long-term resilience.

The first elements of the emergency response were the biosecurity measures decreed by President Macron and applied locally by the Prefect, in addition to efforts to strengthen the health sector to be able to cope with the increased demand for its services. These measures were followed by large scale national efforts to protect households, companies, and workers through instruments such as a solidarity fund, state-guaranteed loans, and a partial unemployment scheme rolled out for the entirety of France and its overseas regions (including Réunion). The second stage focused on supporting the most affected sectors through measures such as targeted additional solidarity funds. In Réunion, several of these actions came in the form of post-restriction measures for the digital transition, to support the tourism sector and to support Air Austral, a local airline headquartered at the Roland Garros Airport in Sainte-Marie. The airline provides a connection between Réunion and continental France, Mayotte, and other countries in the region, such as South Africa, Mauritius Island, and the Seychelles.³³

The **Plan de Relance Régional** is the name given to the series of measures and reorganisation of services that have been implemented in Réunion since March 2020, which have thus far guided the spending of several funds and also sets forward the planning for 2021 onwards.³⁴

³⁰ Interview input

³¹ Gouvernement français (2021) Plan National de Relance et de Résilience. Available at:

https://www.economie.gouv.fr/files/files/directions_services/plan-de-relance/PNRR%20Francais.pdf

³² Gouvernement Français (2020) France Relance. Available at: https://www.economie.gouv.fr/files/files/directions_services/plan-de-relance/annexe-fiche-mesures.pdf

³³ Information retrieved from the website of the airline. Available at: <https://www.air-austral.com/en/where-we-fly.html>

³⁴ Region Réunion (2020) Plan de relance régional COVID-19. Available at: <https://regionReunion.com/actualite/plan-de-relance-regional-local-le-vital-covid-19/>

In March 2021, the President of the Region, the President of the Department, and the Prefect signed the **France Relance à la Réunion**, an agreement to coordinate the recovery plan and coherently use the funds available to the three levels of government. The funds specifically available for Réunion amount to over €1 billion for the period 2021-2023.³⁵ These include the following:

- €389 million of national fund from France Relance and the REACT-EU ESF.
- €461 million of regional funds from own resources and REACT-EU ERDF.
- €190 million of departmental funds from own resources and the EAFRD.

HEALTH SECTOR MEASURES

In Réunion, the Coronavirus Response Investment Initiative (CRII) and Coronavirus Response Investment Initiative Plus (CRII+) initiatives have thus far facilitated additional EU support to improve access to healthcare through the European Regional Development Fund (ERDF) and the European Social Fund (ESF).³⁶ Moreover, the REACT-EU package mobilised an additional €26.1 million to improve health infrastructure in Réunion.³⁷

The Réunionese authorities reacted rather quickly to ensure there was sufficient equipment and to ensure the provision of mitigating measures to the local population. Actions included:

- The **acquisition of medical equipment** (with €6 million committed for purchasing over 3.5 million masks, gowns, and other equipment). As noted in the section on healthcare statistics, machinery was purchased to begin manufacturing face masks on the island, and both food and health associations were equipped with masks by the public sector. Likewise, €1 million was allocated for COVID-19 diagnostic tests and the provision of rapid detection kits for the island's university hospital (CHU). The European Social Fund (ESF) budget was used for the acquisition of personal protective equipment such as masks, gloves, and screening tests. The European Regional Development Fund (ERDF) budget was also used to support the acquisition of equipment for testing kits and ventilators.
- The **Octroi de Mer** tax typically imposed on products imported into the French Outermost Regions, and a significant source of revenue for most Outermost Region governments, was temporarily waived as of May 2020 for the imports of medicines, sanitary and medical equipment to reduce the cost of such imports and ease the administrative burden of bringing them into the regions. This urgent measure has been extended until 31 December 2021.³⁸
- Campaigns to **encourage sanitary habits** such as frequent handwashing. However, parts of the island still suffer from a lack of access to a clean and constant water supply. It is reported that 52% of the Réunionese population are connected to unsafe or irregular water networks. Efforts were mobilised to improve access and safety of water across the island. In October 2020, the Permanent Commission of the Regional Council allocated €877,500 to CIREST (*Communauté intercommunale Réunion Est*) for the construction of the Bras-Panon water treatment plant. In early December 2020, the water office (Office de l'Eau) of Réunion approved the allocation of €500,000 in grants to projects improving drinking water and sanitation. A campaign was also rolled out to promote and encourage the use of the French national tracing application StopCovid, renamed TousAntiCovid.³⁹ Uptake, however, appears to have been limited.

³⁵ Region Réunion (2021) France Relance à la Réunion. Available at: <https://regionReunion.com/actualite/toute-l-actualite/article/le-president-de-region-didier-robert-signe-l-accord-etat-region-departement-pour-la-relance-economique-locale>
³⁶ <https://cohesiondata.ec.europa.eu/stories/s/CORONAVIRUS-DASHBOARD-COHESION-POLICY-RESPONSE/4e2z-pw8r/>

³⁷ Latest figures provided by the European Commission.

³⁸ European Commission (2021) (EU) 2021/660 of 19 April 2021 amending Decision (EU) 2020/491 on relief from import duties and VAT exemption on importation granted for goods needed to combat the effects of the COVID-19 outbreak during 2020 (notified under document C(2021) 2693). [online] Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv%3AOJ.L_.2021.140.01.0010.01.ENG&toc=OJ%3AL%3A2021%3A140%3ATOC.

³⁹ Magnien, M. (2020) COVID-19: La fin d'Alertanoo à La Réunion. Available at: <https://www.linio.re/la-Reunion/societe/covid-19-la-fin-d-alertanoo-a-la-Reunion>. Réunion.gouv.fr (2020) Application TousAntiCovid ; une barrière supplémentaire contre la COVID 19 - Les services de l'Etat à La Réunion. Available at: <http://www.Reunion.gouv.fr/application-tousanticovid-une-barriere-a7371.html>

MEASURES IN SUPPORT OF THE ECONOMY

The European Union mobilised its funds to support the economic recovery of Réunion. The REACT-EU package apportioned €229.9 million under the ERDF and €114 million under the ESF.⁴⁰ Funds include support for SMEs, support to access quality jobs, the safeguarding of jobs threatened as a result of the crisis, and support for people at risk of social exclusion, among others.

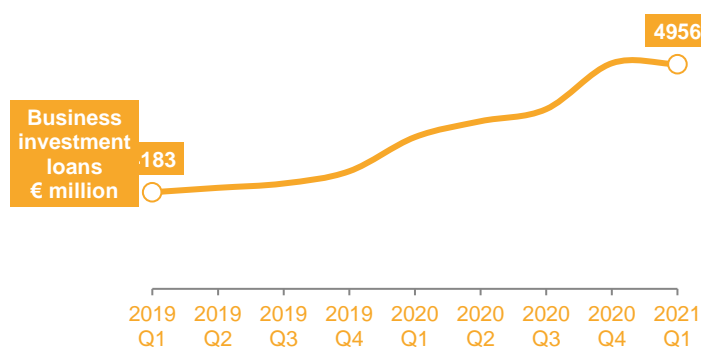
Relieving pressure by deferring social and/or fiscal payment deadlines

France has put in place a policy measure allowing employers, including self-employed workers, to benefit from a postponement in social contribution payments. The sectors most affected by the COVID-19 crisis, such as transport, retail, and tourism, are also able to access exemptions in the payment of social contributions. In addition, measures in relation to deferring property tax and property appraisal and direct tax relief were introduced for companies. For the year 2021, businesses in Réunion will benefit from a reduction in taxes equivalent to €59 million.⁴¹

Encouraging access to loans through state-backed guarantees

The French national government implemented a mechanism of guarantees to support bank financing of companies (*Prêt garanti par l'État* or PGE). These state-backed loans are open to nearly all businesses across the French territory regardless of their size and legal form.⁴² Under the mechanism, companies are able to take out a loan guaranteed by the state from their usual banking establishment or loan platform, and the state guarantees between 70% to 90% of the loan, depending on the size of the firm, to be repaid over the course of 5 years. Applications opened in August 2020 and will remain open until the end of 2021. In Réunion, 7,510 companies have benefited from the PGE, for a total amount of €1.14 billion, until the end of August 2021.⁴³ One major beneficiary has been Air Austral, with a PGE of €56 million granted by three banks. The struggling airline had benefited from public investments by the Réunion region in the semi-public company Semetra to become a majority shareholder of Air Austral and ensure its recovery back in 2019.

Figure 18: Business investment loans provided, € million (Q1 2019 – Q1 2021)



Available data indicate that enterprises in Réunion continued to take out loans at the same rate as prior to the pandemic. Loan values on the island continued to follow an upward trend, increasing by 8.4% from Q1-Q3 2020. This shows the continued need for access to loans experienced by companies during the pandemic, as well as the importance of mechanisms such as the PGE to encourage banks to offer them.

Source: Ecorys, based on CEROM data

Specific mechanisms for the private sector

Financing opportunities for the private sector in Réunion, both sectoral and cross-sectoral, are summarised in the table below.

⁴⁰ Latest figures provided by the European Commission.

⁴¹ Prefet de la Région Réunion (2020) Dès 2020, plus de 100 millions d'euros déjà validés pour La Réunion. Available at: http://www.Réunion.gouv.fr/des-2020-plus-de-100-millions-d-euros-deja-valides-a7764.html?var_mode=calcul

⁴² With the exception of certain credit institutions and finance companies

⁴³ Information are regularly updated. Available at: <https://www.data.gouv.fr/en/datasets/donnees-relatives-aux-prets-garantis-par-letat-dans-le-cadre-de-lepidemie-de-covid-19/>

Table 4: Plan de Relance Régional components⁴⁴

Name	Description	Investments	Beneficiaries
National Solidarity Fund (FSN) ⁴⁵	Compensation for loss of turnover or flat rate assistance for most difficult situations (e.g. bankruptcy).	€194 million	99,469 aids disbursed as of June 2021 in Réunion.
Regional Solidarity Fund (FSR) ⁴⁶	Compensations for micro-enterprises (fewer than 10 employees) that closed during confinement or suffered a turnover loss of up to minus 20%.	€14.5 million	10,149 businesses benefitted as of June 2021 in Réunion.
Regional Guarantee Fund	Medium-term consolidation of short-term bank loans, developed in partnership with BPI. Loans for periods of 3 to 5 years of €10,000 to €5 million for SMEs.	€6 million (3 from the region, 3 from BPI France)	
Regional Rebound Fund	Zero-interest loan for SMEs, funded through the ERDF. A comparable mechanism has been announced in 2021. ⁴⁷	€28 million	200 companies have benefitted in Réunion.
Regional Tourism Solidarity Fund Pt 1	Financial support via cash to improve the operating balance of tourism sector companies with 0-50 employees. Note: Financed by the European Regional Development Fund (ERDF), with pre-financing from Réunion.	Operational costs: €17 million Investment: €10 million	Beneficiaries receive support of up to €5,500.
Regional Tourism Solidarity Fund Pt 2	Targets increased support needs of Réunion tourism businesses faced with particularly high fixed costs and loss of turnover through a direct, flat-rate grant. Note: This fund is 100% financed by Réunion.	-	The amount is determined on the basis of the salaried workforce of the company. The minimum amount is set at €50.

Because the tourism sector was particularly badly affected, the Réunionese region put into place an additional measure. A series of 'island vouchers' (*Mon Ile 974*) were distributed to encourage local tourism by the Réunionese. The regional government partnered with tourism accommodations, restaurants and companies offering leisure-related services to supply over 50,000 families with cheques of €300 provided by the government to be spent within these businesses.⁴⁸ Launched in August 2020 and initially applicable until January 2021, it was extended to August 2021.

Similarly, follow-up emergency funds have been set up by the Réunion region for events companies and the cultural sector. Measures for the sector amounted to €1.5 million in 2020 and €10 million in 2021 (also coming from REACT-EU and anchored in the recovery plan). Nightclubs, in particular, are eligible for extended aid, benefitting from €10,000 per month or 20% of prior monthly turnover. The use of these funds, however, has been hampered by the administrative burden involved in preparing applications, with some of the targeted population raising concerns about complicated procedures and slow pay-out.⁴⁹

In addition, the region issued *Cheque numérique* to compensate companies for the cost incurred while undergoing a digital transition. Aimed at SMEs of fewer than 20 employees from any sector save for the digital sector, the cheque subsidised 80% of eligible expenses (up to €3,200) for companies with up to 9 employees, and 50% of eligible expenses (up to €2,000) for companies with up to 19 employees. Companies are compensated for expenses related to website creation, new sales solutions, and digital training, amongst others. Between September 2020 and February

⁴⁴ Region Réunion (2021) Orientations Budgétaires Assemblée Plénière du 25 novembre 2020. Available at: <https://regionRéunion.com/actualite/toute-l-actualite/article/orientations-budgetaires-2021-assemblee-pleniere-du-25-novembre-2020>

⁴⁵ aides-entreprises.data.gouv.fr (2021) Fonds de solidarité: La Réunion. Available at: <https://aides-entreprises.data.gouv.fr/fds?datasetid=regions&field=code&value=04&zoom=3.92¢erlat=-28.4471¢erlng=57.2126&selected=regions%3A6,departements%3A94>

⁴⁶ <https://data.regionRéunion.com/explore/dataset/fsr-soutien-covid19/table/>

⁴⁷ Region Réunion (2021) Didier Robert annonce un redéploiement du prêt rebond en direction des petits commerçants et artisans. Available at: <https://regionRéunion.com/actualite/toute-l-actualite/article/didier-robert-annonce-un-redeploiement-du-pret-rebond-en-direction-des-petits-commerçants-et-artistes>

⁴⁸ Region Réunion (2021) Professionnels du Tourisme, devenez partenaire du Chèque tourisme. Available at: <https://regionRéunion.com/actualite/toute-l-actualite/article/professionnels-du-tourisme-devenez-partenaire-du-cheque-tourisme-mon-ile-974>

⁴⁹ Réunion la 1ère (2021) Les discothèques à l'agonie ne voient pas le bout du tunnel - Réunion la 1ère. Available at: <https://la1ere.francetvinfo.fr/Réunion/les-discotheques-a-l-agonie-ne-voient-pas-le-bout-du-tunnel-909340.html>

2021, over 4,000 companies have benefited from it, with a total value of €5 million.⁵⁰ A new version of the Cheque numérique has been made available for 2021.

LABOUR/SOCIAL SECTOR MEASURES

Labour market measures

A large-scale partial unemployment scheme was launched at the French national level. This measure allows companies to request a 'partial activity subsidy' if they: have employees who are unable to work; are affected by closures or decreases in activity; are experiencing supply difficulties; or are unable to implement preventive measures for all their employees. This partial unemployment scheme operates in two stages: employees receive a partial activity allowance from their employer instead of their salaries. Thereafter, companies receive a grant paid by the state, corresponding to 85% of the allowance paid to employees. The partial unemployment scheme benefited more than 100,000 Réunionese employees (or 56% of the private sector employees) between March and June of 2020. Comparative data show that in the period between March and April 2020, Réunion was the French region with the third-highest proportion of employees being supported by the partial unemployment scheme (41.5% of employees), preceded only by Guadeloupe (44.3% of employees) and Corsica (49.8% of employees). Nationwide, an average of 37.2% of French employees benefitted from partial unemployment schemes over the same period.⁵¹

The French government has also put measures in place to strengthen formal pathways to employment. As previously noted, the skills mismatch in the Réunionese labour market puts young people at a particularly higher risk of unemployment, making it all the more important that pathways to 'learning on the job', such as apprenticeships, remain available to them. As the pandemic has caused companies to struggle to provide for their permanent staff, they have naturally been less inclined to invest in temporary training positions. Exceptional assistance was rolled out at the national level to employers of apprentices to cover the costs of apprenticeship contracts concluded between July 2020 and February 2021. Companies in the private or public industrial and commercial sectors were eligible for assistance, with €0.8 million budgeted for all French overseas regions.

The French national employment incentive scheme **1 Jeune 1 Solution**⁵² is a package of measures to stimulate youth employment. It does so by providing incentives to companies in the form of a €4,000 grant to companies hiring young people (under 26 years old) between August 2020 and May 2021 or a €5,000/€8,000 for companies offering apprenticeship or vocational training contracts, with the latter amount offered for those over 18 years old. The incentive scheme also provides new training courses for young people and builds specific integration pathways for those far removed from the labour market. In 2020, 1,289 young people were hired, and 2,159 apprenticeship contracts signed in Réunion. Furthermore, 1,744 subsidised jobs were created, bringing the total number of beneficiaries on the island to 5,192. Initially set to run until the end of January 2021, the programme has since been extended to run until the end of 2021 for companies offering apprenticeship or vocational training contracts, and until the end of May 2021 for companies hiring young people.⁵³ An exceptional grant of €5,000/€8,000 is disbursed for the first year of contracts signed between July 2020 and December 2021. It was extended until 20 June 2022.⁵⁴

In addition to the above, several additional measures were undertaken to:

- Support the most vulnerable in the society through distribution of food aid and rental assistance, amongst others.
- Provide special support for students, which included a back-to-school allowance. Over three million low-income families benefitted from the back-to-school allowance across French territories (including French

⁵⁰ Interview source.

⁵¹ INSEE (2020) Au 1^{er} trimestre 2020: Une baisse de l'emploi salarié historique mais limitée par un recours massif à l'activité partielle. Available at: <https://www.insee.fr/fr/statistiques/4630052#graphique-figure4>

⁵² <https://www.1jeune1solution.gouv.fr>

⁵³ Service-public.fr (2021) Plan 1 jeune, 1 solution: l'aide à l'embauche des jeunes est prolongée. Available at: <https://www.service-public.fr/particuliers/actualites/A14189>

⁵⁴ *Ibid*

Outermost Regions) in 2020, including more than five million school-aged children.⁵⁵ The usual allowance supported 81,000 families in Réunion in 2019.⁵⁶

In addition, high school students enrolled in a public or private high school in Réunion have had access to a lump sum of €120 allocated by the Réunion region to support them with education-related costs, such as schoolbooks, health, and safety equipment. The measures were introduced in November 2020.⁵⁷ Students in Réunion on a scholarship also had access to support with their internet connection, in the form of a payment of €120. This support was extended to also cover the school year 2021-2022.⁵⁸

REFLECTIONS ON MEASURES⁵⁹

Due to the stage of implementation and lack of available monitoring information, it is difficult to assess the effectiveness of these measures. However, stakeholders in Réunion have generally rated the response to the crisis positively. The funding provided by the EU and the support measures rolled out by both the French and regional governments have played a vital role in minimising the impact of the pandemic on Réunion.

The EU Recovery and Resilience Facility offers prospects for economic development in the coming years. Nevertheless, multiple stakeholders noted that access to EU funding remains difficult for SMEs, due to the administrative application complexities. To make the most out of the Recovery funds, simplified application procedures and administrative support to SMEs will be key.

Many businesses suffered financially, but social welfare and enterprise support payments played an efficient role in helping to maintain economic activity. This is also evidenced by the absence of a negative impact on total employment in 2020.

The measures regarding the postponement of fiscal and social debts, and of credit due dates, were put in place locally very quickly and were efficient in supporting SMEs. The tourism cheque encouraged the local population to support the tourism industry. This cheque was perceived to be effective and therefore extended, thanks to REACT-EU funding. The partial employment scheme was key to maintaining employment levels. Moreover, national and regional solidarity funds assisted around half of the businesses in Réunion.

Opinions on loan schemes are less positive. The rebound loan did not target single-person enterprises, even though they account for 50% of total businesses, strongly reducing its effectiveness. While the PGEs were distributed without delay, it was pointed out that the PGE has not been sufficiently adapted to the Réunion business environment. Very small enterprises would prefer reimbursable advances or funding facilities. Because such enterprises often already have social and fiscal debts, the perception is that the PGE acts to reinforce indebtedness. According to available information, only around 10% of Réunion businesses received such loans. Some declined the support because they were pessimistic about future economic prospects, and were concerned about indebtedness.

⁵⁵ Service-public.fr (2020) Allocation de rentrée scolaire 2020 (ARS): pour qui, quand et combien? Available at: <https://www.service-public.fr/particuliers/actualites/A14192>

⁵⁶ Réunion.orange.fr (2019) Pas de grande différence avec 2018: Le montant de l'allocation de rentrée scolaire est déjà connu. Available at: <https://Réunion.orange.fr/actu/Réunion/le-montant-de-l-allocation-de-rentree-scolaire-est-deja-connu.html>

⁵⁷ Region Réunion (2020) Lycéen, Lycéenne, La Région lance l'aide spéciale COVID. Available at: <https://regionRéunion.com/aides-services/article/lyceen-lyceenne-la-region-lance-l-aide-speciale-covid>. See also: <https://www.linio.re/la-reunion/societe/une-aide-speciale-covid-votee-par-la-region-pour-l-annee-scolaire-2020-2021>

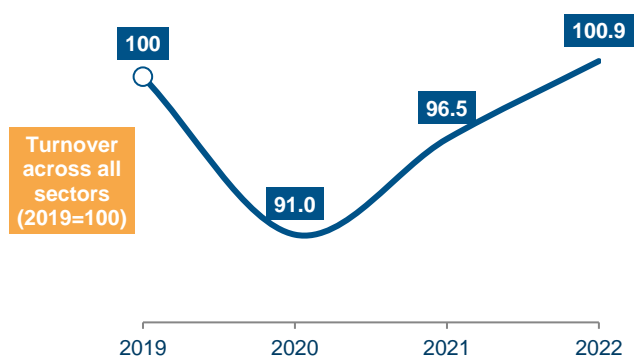
⁵⁸ Region Réunion (2021) Lycéen, Lycéenne, La Région reconduit l'aide spéciale COVID. Available at: <https://regionRéunion.com/aides-services/article/lyceen-lyceenne-la-region-reconduit-l-aide-speciale-covid>

⁵⁹ The reflections on the measures are mainly based on stakeholder feedback collected in the period January-July 2021. These should be treated as initial feedback and insights from the measure rather than an evaluation. The final report attempts to provide a more detailed review of the measures in terms of relevance and outputs achieved.

5. FUTURE PROSPECTS

According to a survey conducted by IEDOM, companies believe that the economy of Réunion is expected to recover to pre-crisis levels in 2022 (Figure 19). The economy of the island has shown resilience in the face of repeated shocks in the past. However, uncertainties related to global economic and pandemic-related developments (e.g. vaccine rollout, emergence of new, more contagious variants) remain, and affect the growth of the Réunionese economy.

Figure 19: Probable cross-sectoral turnover change, 2019-2022



Source: Ecorys, based on CEROM and interview input. Turnover figures are based on an IEDOM survey conducted on a representative sample of companies.

Following the shock suffered in 2020, Réunion's economy started recovering in 2021. The recovery is expected to continue in 2022, reaching pre-crisis level.⁶⁰ This would place it on a trajectory comparable to mainland France (see OECD economic forecasts).⁶¹ Experts believe the island will likely outperform some other French ORs due to its relatively larger economic size, population, and low reliance on income from tourism. The sound handling of the crisis by the local administration and the stable regulatory environment all contribute to this positive sentiment.⁶²

However, the factors described above related to the insularity and remoteness of Réunion could slow the pace of recovery and make it more uncertain compared to mainland France and the EU as a whole. In particular, the vulnerability of local supply chains and dependence on imports makes the economy more susceptible to further shocks. From a sectoral perspective, retail is expected to make a quick recovery, fuelled by increased spending thanks to the accumulated household savings over 2020. Nonetheless, IEDOM estimates indicated that the sector would fall slightly short of its pre-crisis performance in 2021.⁶³ While value chains remain exposed to further mobility restrictions, the rebound in imports following the easing of early restrictions in 2020 helped replenish stocks, which ensure resilience in the short-term.

The tourism sector took a heavy blow in 2020 (currently estimated at -39% in revenue), and it is expected to only make a small year-on-year increase of 2% in 2021.⁶⁴ The increase in local consumption in the hotel and restaurants sector continues to partially compensate for losses from the reduced number of tourist inflows. Although the recovery is expected to be slow-paced and heavily dependent on future COVID-19-related developments, the fact that Réunion has had relatively low infection rates compared to mainland France, and that it is part of the EU, could represent an advantage compared to nearby tourism destinations. Similarly to tourism, the culture sector's future remains very uncertain, and potential recovery is entirely dependent on progress in combating the pandemic.

Following the halt in activity in 2020, the transport sector resumed operation over the second half of the year, and into 2021. The crisis has presented some opportunities for the sector too; for instance, in the development of air transport capacity and an increase in activity through relocation from nearby territories (e.g. French companies moving to Réunion from Madagascar). Nonetheless, the situation remains fragile. Notably, the air transport sector does not expect a return to 2019 activity levels until 2025.⁶⁵

⁶⁰ IEDOM, 2021. *L'économie de La Réunion en 2020*. Available at:

https://www.iedom.fr/IMG/pdf/economie_la_Reunion_2020_ok.pdf

⁶¹ OECD, 2021. *Economic Outlook*. Available at: <https://oecd.org/economic-outlook>

⁶² IEDOM, 2021. *L'économie de La Réunion en 2020*. Available at:

https://www.iedom.fr/IMG/pdf/economie_la_Reunion_2020_ok.pdf

⁶³ *Ibid.*

⁶⁴ *Ibid.*

⁶⁵ Interview input

Although the construction industry suffered a steep decline during the lockdown period, the end of 2020 saw an increase in activity confirmed in Q1 2021 and is expected to continue for the rest of the year, when the sector is expected to exceed its pre-crisis revenues.⁶⁶ However, considerable uncertainties relating to the volatility of the global market remain, including an ongoing increase in commodity prices, which could dampen the sector's performance in the short- to mid-term. Ensuring the supply of construction materials necessary to carry out current orders will therefore play a critical role.

The agriculture and fisheries sector has weathered the crisis relatively well and has managed to increase its resilience to future shocks. Through raising awareness of the need for greater self-sufficiency and accelerating the use of digital technologies, it has opened up new opportunities for sectoral development.

As in many other regions, restrictions on mobility have strained the local education system. Difficulties related to the switch to a digital learning environment or in commuting from rural areas during times of restricted mobility could lead to a loss of learning outcomes. In the long run, this could create further difficulties for a whole generation, and especially for children from disadvantaged backgrounds seeking to enter the job market.

As noted above, digitalisation has been high on the agenda of the local authorities over the past years. Moreover, the island's digital economy is relatively new, but has seen rapid growth over the years. The COVID-19 crisis could represent a factor accelerating the development of the digital economy in the coming years with an impact on the labour market, especially for younger people. The development of this sector could indeed benefit the local population, both through better job opportunities and an increase in the general level of digital literacy.⁶⁷

6. SUGGESTIONS FOR RECOVERY AND RESILIENCE MEASURES

RECOMMENDATION 1: INCENTIVISING THE ADOPTION OF DIGITAL SOLUTIONS FOR B2B AND B2C ENGAGEMENT

Type of measure: Investment, advisory support, sectoral support

Duration: Short to medium-term

Challenge: As a result of the pandemic, businesses have reacted to partial closures, social distancing and a reduction in the numbers of customers visiting stores in person by introducing digital solutions, such as home deliveries and online shopping. The regional government supported such development with *cheques numériques*, which have been used to create websites and establish an online presence for bricks-and-mortar stores. Such new digital tools have allowed businesses to survive and represent new opportunities for incumbents and new market entrants alike. Given the existence of a functioning internal market on the island, the development of digital solutions such as mobile apps is a promising path to spur economic growth in Réunion. Still, digital solutions are not generally widespread, and businesses that would benefit from digital solutions have no way to follow new trends and understand what technological developments could increase their competitiveness.

Objective: Sustain the uptake of digital solutions for businesses to stimulate B2B and B2C relations, which would increase the efficiency of local businesses and contribute to economic recovery and growth.

Actions: Building on the existing *cheques numériques*, support measures could be expanded to a wider range of sectors, to incentivise the widespread digitalisation of businesses. Such expansion could follow three steps. First,

⁶⁶ *Ibid.*

⁶⁷ Interview input; IEDOM (2020) L'Économie numérique à la Réunion. Available at: https://www.iedom.fr/IMG/pdf/l_economie_numerique_vdef.pdf

regional authorities could conduct an evaluation of the impact of the existing measure to assess their impact, and to identify possible improvements. Second, building from the existing measure and its evaluation, the cheque scheme could be increased in size and expanded in scope to guarantee widespread outreach across the island. Third, as not all entrepreneurs are aware of the digital tools available to support their specific business model, the regional government could couple the financial support with advisory services. A helpdesk could be established, for example within the Chamber of Commerce and Industry (CCI), to support entrepreneurs inquiring on the available tools to digitise their business models. The advisory service could focus on niche B2B business models to promote businesses to sell products and services to other companies. In addition to B2B, B2C (Business to consumers) solutions could be explored further through the uptake of digital tools and solutions. Such an advisory service could help in the uptake of the *cheques numériques*, and connect entrepreneurs with digital experts in the design and implementation of the suggested tools

Réunion could explore national and EU sources of support. EU sources could include, among others, the European Regional Development Fund (ERDF), the European Social Fund (ESF+) and the Digital Europe Programme

RECOMMENDATION 2: IMPROVING PRIVATE SECTOR CAPACITY THROUGH DIGITALISATION

Type of measure: Investment and training

Duration: Medium to long-term

Challenge: An uptake in digitalisation was incentivised by the pandemic, facilitated by the high coverage of broadband width internet connection across Réunion. Nevertheless, one of the main limitations to the uptake of digital tools by SMEs is the widespread digital illiteracy of business owners and older members of society. Another challenge for Réunion is its high rate of unemployment. In 2020, the unemployment rate in Réunion was above 17%, more than double that of France. In Q2 2020, amid the lockdown, the number of jobseekers required to look for work and without activity (category A) in Réunion increased by 5.6% over the quarter.

Objective: Improve citizens' digital skills and promote private sector digitalisation.

Actions: While B2B and B2C solutions improve one part of the business environment, it will be equally important to improve the basic skills of citizens and broader private sector. To improve citizens' digital skills, two programmes could be introduced. The first programme could focus on providing training to unemployed citizens, focusing on digital literacy curricula. Such training could be coupled with subsidies for businesses that hire digitally trained people. This measure would both reduce unemployment while facilitating the digital transition of local businesses. A second programme could involve sponsoring entrepreneur upskilling by the regional authorities, possibly with the Chamber of Commerce and Industry. Combining better training for the labour force with the incentives and advisory services to take up digital solutions as described in the first recommendation would create more productive, efficient and resilient companies, while facilitating the absorption and upskilling of the unemployed. Ultimately, this would improve the competitiveness of Réunion.

Réunion could explore national and EU sources of support. EU sources could include, among others, the European Regional Development Fund (ERDF), the European Social Fund (ESF+) and the Digital Europe Programme

RECOMMENDATION 3: FURTHER IMPROVING REGIONAL TRANSPORT AND CONNECTIVITY

Type of measure: Infrastructure, connectivity, investment and competitiveness

Duration: Medium and long-term

Challenge: Various measures are already in place to develop regional transport infrastructure. First of all, the expansion of the Roland Garros airport – expected to be completed by the end of 2023 – will increase its capacity from 2.1 to 3.5 million passengers annually, and will increase airport competitiveness. The ERDF is contributing to the expansion of the airport with a contribution of €67 million.⁶⁸ Furthermore, the *nouvelle route du littoral* (NRL), a new highway co-financed by the ERDF and the European Investment Bank, will partially open to traffic by the end of 2021, and will reduce the number of days per year during which one of the main connections in the island is closed due to weather conditions.

Evidence from stakeholders suggests that, while during the pandemic new business models were explored and businesses across the island implemented new digital solutions, the transport infrastructure needs to be improved to reduce road congestion and subsequent delays in delivery, thus ensuring their competitiveness beyond the pandemic.

Objective: Increase connectivity to reduce supply chains costs and lead times.

Actions: Achieve the objectives of the **SRIT** (*Schéma Régional des Infrastructures et des Transports* - regional scheme for infrastructure and transport).⁶⁹ It is recommended that Réunion seeks further investments for the realisation of these objectives. As shown in the strengthening of the highway network and the expansion of the airport approved in mid-July 2021, the European Regional Development Fund (ERDF) is supporting further connectivity on the island.

In the medium term, a new infrastructure and connectivity plan could be developed, taking into account the lessons learned during the COVID-19 pandemic. For example, stakeholders have highlighted the importance of reducing road congestion to make online shopping and home delivery services competitive and appealing for consumers. Therefore, various phases are suggested. First, the SRIT might be updated to strongly focus on improving value chains and the economic integration of various economic actors across the island. This would require conducting studies on coverage, reliability, and movement of vehicles across the island. Second, building on the evidence gathered during such studies, investment plans might be developed in different phases, spanning from short term steering measures, such as incentives for the use of public transport, to longer-term plans, such as reinforcing specific parts of the transport network in Réunion.

As projects are already underway to develop intermodal mobility and foster the uptake of slow mobility instruments, e.g. the use of bikes, the new plans could integrate existing measures and renew the focus on value chain and economic integration.

Réunion could further explore national and EU sources of support. EU sources could include the European Regional Development Fund (ERDF) and the Connecting Europe Facility (CEF) Transport programme.

RECOMMENDATION 4: EXPANDING THE PRODUCTION OF RENEWABLE ENERGY AND INCREASING ITS SHARE IN THE ENERGY MIX

Type of measure: Renewable energy, green transition, investment

Duration: Medium to long-term

Challenge: Currently, around 85% of energy in Réunion is generated from fossil fuels. The pandemic has demonstrated how the collapse of supply chains can have strong repercussions on the economies of regions dependent on imports, such as Réunion. Shipping costs have risen sharply. Around 40% of locally generated energy

⁶⁸ More information on the European Commission website: available [here](#).

⁶⁹ https://regionReunion.com/IMG/pdf/srit_84pages_bd.pdf

is renewable, a share that could be expanded given the untapped existing potential on Réunion (including both natural resources and areas currently not used for urban or commercial purposes).

Objective: Increase resilience and reduce both carbon emissions and dependence on imported fossil fuels.

Actions: In the medium to long term, the regional government intends to increase the share of renewable energy in the island's energy mix. The regional PPE (*Programmation Pluriannuelle de L'énergie* - Multiannual Energy Strategy)⁷⁰ already anticipates the deployment of wind turbines – especially offshore turbines – and aims to increase the share of electricity generated by hydropower. Solar panels are also a priority in the strategy and could be incentivised further, as also suggested by stakeholders. Private households could be financially supported in the installation of panels, and solar farms could be built in scarcely populated areas. As Réunion is not connected to other grids, it is key to pay specific attention to appropriate energy storage systems, e.g. batteries to guarantee the stability of the electricity supply. Cost and benefit analyses could be conducted to assess the financial feasibility of deploying innovative solutions for the storage of energy produced by renewable sources. Being an early deployer of innovative solutions could support the image of the island as a regional hub for energy transition. Furthermore, the deployment of such technologies could boost Réunion's resilience, demonstrating how the measures introduced after the COVID-19 crisis led to positive changes. Piloting such a transition in Réunion might offer a blueprint for other outermost regions in the coming years.

Réunion could explore national and EU sources of support. EU sources could include Horizon Europe for research projects and the European Regional Development Fund (ERDF).

RECOMMENDATION 5: ASSESSING THE FEASIBILITY OF DEVELOPING WELLNESS TOURISM

Type of measure: Awareness campaign, investment

Duration: Short, medium and long-term

Challenge: During the first months of the pandemic, the inflow of tourists dropped by 90%. While the numbers slightly recovered afterwards, only 217,000 people visited Réunion in 2020, compared to 533,622 in 2019. Reports from both academia⁷¹ and public authorities⁷² highlight structural limitations in Réunion concerning its tourism offer. After a booming phase in the early 2000s, the average number of visitors plateaued, remaining mostly dependent on inflow from continental France. The region already promotes itself as an attractive eco-tourism destination, but there is potential to focus on developing other niche markets.

Objective: Improving the resilience of the tourism sector on the island by targeting a broader audience (focussing on consumers outside France), and by differentiating itself from similar touristic destinations in the region. The possibility of promoting wellness-related tourism could be investigated, as it has the potential to support a steadier flow of tourists throughout the year.

Actions: A three-staged approach would help the sector to recover and develop further. First, the regional government could prolong the *Mon île 974* cheques, focusing on promoting local tourism. While this measure cannot compensate for the loss of revenue due to the lack of foreign tourists, it could at least shelter local businesses from bankruptcies whilst flight connections resume and tourist trust is rebuilt. Economic operators that rely mostly on external visitors, such as car rental and tour operators, could continue to receive targeted support, as internal demand alone cannot sustain them.

⁷⁰ <http://www.Réunion.developpement-durable.gouv.fr/revision-de-la-programmation-pluriannuelle-de-l-a704.html>

⁷¹ <https://hal-audencia.archives-ouvertes.fr/hal-02053296/document>

⁷² https://www.ccomptes.fr/sites/default/files/EzPublish/2_5_1_tourisme_en_outre_mer_Tome_I.pdf

Second, Réunion could be promoted as a tourist destination to a broader audience. The Réunion's Regional Tourism Committee⁷³ is already advertising Réunion as a destination for eco-tourism, as also included in the regional smart specialisation strategy.⁷⁴ The existing campaign could be expanded to include information on the safety of the island, the measures taken to limit the spread of COVID-19 and the good health infrastructure of the island. This would help to increase tourist trust and travel confidence. Targeting not only French but also other European tourists could be promising, as travel to countries outside the EU remains restricted as of Q4 2021, which increases the relative attractiveness of Réunion as a safe EU destination. Such a campaign, financed by private businesses, could receive regional funds and sponsorship.

Third, regional authorities could conduct a feasibility assessment to further develop wellness and third age tourism (i.e. tourism for the elderly). Combining the existing inflow of tourists from France and the expanding inflow of eco-tourism oriented travellers, this third pillar could guarantee the sustainability and resilience of tourism on the island. This should start with an analysis of potential market demand and of the current strengths and weaknesses of Réunion vis-à-vis the competition. The region's strengths include its thermal baths (e.g. in Cilaos) and the quality of its health system, which might reassure prospective elderly tourists.

In the longer term, based on the result of such an analysis, an assessment of required investment needs could be made, e.g. on upgrading hospitality infrastructure, the further development of specific wellness services, and developing the necessary skills (including training wellness professionals fluent in languages other than French). An action plan could then be developed assessing funding opportunities, and the roles of public and private actors in developing wellness and third age tourism in Réunion.

Réunion could explore national and EU sources of support. EU sources could, in the short term, include funding from REACT-EU and – if there is a need to further extend support – from the European Regional Development Fund, to guarantee the survival of the tourism sector. In the medium to long-term, based on the outcome of the recommended studies and analyses, funding from the European Regional Development Fund and the European Social Fund+ could be explored to develop the hospitality infrastructure and to train workers in the sector.

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⁷³ <https://en.Réunion.fr/>

⁷⁴ http://www.innovonslaRéunion.com/fileadmin/user_upload/innovons/S3/2016-07_Nexa-Innovons-Brochure_190x265_EN_web.pdf

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